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DEPARTMENT OF STATE

TELEGRAM

INDICATE
☐ COLLECT
☐ CHARGE TO

FROM Amembassy ANKARA/MSA
 CLASSIFICATION CONFIDENTIAL

E.O. 11652: GDS
 TAGS: MASS, NATO, TU
 SUBJECT: NAMSA FMS Sales to Turkey

ACTION: SecState WASHDC PRIORITY

INFO Amembassy LUXEMBOURG
 USMISSION NATO
 USNMR SHAPE

CINCEUR
 AMCONGEN ISTANBUL

MSA-2 ISTANBUL FOR AMBASSADOR SPIERS
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REF: State 193415 (DTG 153205Z Aug 77) (NOTAL)

1. USG decision to count NAMSA "brokerage" sales to Turkey against annual FMS ceiling per reftel will be difficult for Turks to accept. It will add to grievances surrounding application of U.S. Congressional arms transfer restrictions and the general deterioration of U.S.-Turkish political and defense relationships. USG will also undoubtedly be accused of "applying pressure" on NATO, an international organization, to bow to U.S. "embargo" which in Turkish view has impaired Turkish military participation in NATO. This new USG action will, we believe, add new impetus to

MSA	
A. A. F.	
A. L. P.	
R. E. S.	
M. G. P.	
FILE	

Handwritten: 01/10/5/10/10

DRAFTED BY: MSA:AFLaPorta:mgp

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TEL. EXT.: 250

CONTENTS AND CLASSIFICATION APPROVED BY: ADCM:AAF Francis

CLEARANCES:

JUSMMAT/TCH:MG Wolfe (draft)

JUSMMAT/AFS:MG Schrupp (draft)

POL:GMcFarland

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Turkish reassessment of utility of its ties to NATO and its western orientation in general. Also, we expect Turks will charge that new USG procedure re NAMSAs sales runs counter to stated USG policies in NATO to improve force readiness and to develop common procurement and other cooperative programs related to NATO standard equipment.

2. For these reasons, it would be desirable to clarify following issues before making our approach to the GOT on the NAMSAs problem:

A. Is it correct that FMS "brokerage" sales by NAMSAs to Turkey are those for which special orders are placed with USG on GOT's behalf for items not regularly stocked by NAMSAs or not subject to common procurement for other NAMSAs consumers? If so, can we tell the Turks that NAMSAs has agreed to identify such "brokerage" sales as specifically Turkish and that we will only be monitoring NAMSAs sales on Washington end?

B. RefTel implies that chargeability of "brokerage" purchase by GOT against FMS ceiling will be made in fiscal year that NAMSAs LOA is signed with USG rather than year in which items are delivered and/or billed (the latter being difficult if not impossible to administer). Also, can we that this new procedure will become effective against assume the effective date of this new procedure will be the FY 78 \$175 million ceiling for NAMSAs FMS LOA's concluded against the FY 78 \$175 million ceiling commencing in FY 78?

C. Impression conveyed in refTel is that Turks will

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be given choice, i.e., GOT can go FMS "brokerage" through NAMSA and that cost would be applied against their FMS ceiling or have NAMSA procure material through commercial sources (if items are available commercially). However, for the following two reasons, an FMS "brokerage" case through NAMSA would not be a viable option for GOT:

(1) If Presidential Determination for utilization of FMS funds is submitted so that GOT LOAs can be concluded early in the fiscal year, FMS funds will already have been committed to Turkish Armed Services for specific purchases. For example, the GOT has already earmarked all of their FY 78 FMS credits in direct FMS dealings with the USG.

(2) It will deny GOT full use of FMS credits as determined necessary by the President and agreed to by Congress. In handling a FMS "brokerage" case for GOT, NAMSA would procure from the USG by using its own funds/credit and then bill the GOT. Therefore, for each dollar handled through NAMSA, the GOT would not only realize a corresponding reduction in FMS credits, but would have to use their national funds in payment rather than FMS credit money--since FMS credits can only be used in contracting directly with USG.

D. Do we intend to inform other NATO allies of new procedure regarding NAMSA sales to Turkey? We recommend that Department consider low-key notifications to alert other allies who may be subjected to Turkish pressures regarding

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U.S. action. We also suggest that Department review new procedure with Turkish Embassy to ensure there is complete understanding on all sides.


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